



NCUA Media Advisory

Board Member Hyland Announces Release of Supplemental Capital White Paper

April 12, 2010, Alexandria, Va., – National Credit Union Administration (NCUA) Board Member Gigi Hyland announced today the release of a White Paper on supplemental capital. The White Paper, prepared by an internal working group at NCUA, is the culmination of an initiative that Board Member Hyland launched in December 2008 to accelerate consideration of supplemental capital approaches.

“In December 2008, I had discussions with state credit union supervisors and NASCUS,” Board Member Hyland stated. “They made a number of compelling arguments that it is time to seriously consider whether credit unions must be given access to some form of supplemental capital to continue providing members the services they need. The White Paper released today is an attempt to explore NCUA’s current authority to permit federally insured credit unions to offer supplemental capital and to identify key public policy considerations for any extension of NCUA’s authority to permit the issuance of supplemental capital by federally insured credit unions. It also sought to set forth the Working Group’s observations and conclusions on the risk management, regulatory safety and soundness and consumer protection issues that should be addressed to appropriately implement supplemental capital.”

The White Paper reviews NCUA’s current authority, discusses research related to supplemental capital for credit unions, assesses the lessons learned from current forms of supplemental capital in credit unions, offers three possible models for supplemental capital and provides modeling and suggested statutory revisions. Based on its review and analysis, the Working Group made the following observations and conclusions:

1. Affording credit unions the ability to raise supplemental capital that counts towards PCA “net worth” requirements is an appropriate policy consideration;
2. PCA regulatory reform including a stronger and more meaningful risk-based capital system, as advanced by the NCUA Board in 2005 and 2007, should continue to be pursued as a priority. The reforms combined with supplemental

capital could afford credit unions the opportunity to more effectively manage capital levels;

3. Any statutory change that affords credit unions the ability to count supplemental capital towards PCA “net worth” must be accompanied by robust regulatory authority to assure reasonable safeguards and risk parameters are put in place.

“Chairman Matz’s December 12, 2009 letter to House Financial Services Committee Chairman Barney Frank enunciating two narrow legislative remedies that would help reverse the disincentive to accept new share deposits is a key starting point for any discussion about supplemental capital,” noted Board Member Hyland. “I hope this White Paper serves as a useful vehicle for continued dialogue and action on this important issue.”

The supplemental capital White Paper is available here

<http://www.ncua.gov/Resources/Reports/plans-and-reports/2010/SupplementalCapitalWhitePaper.pdf>.

The White Paper is intended as a broad exploration of the issues related to supplemental capital and does not represent the official position of the NCUA Board.

NCUA is the independent federal agency that regulates, charters and supervises federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of over 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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